

**MINUTES OF REGULAR MEETING
ILLINOIS GAMING BOARD
APRIL 27, 1999
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on April 27, 1999, in the auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120.

The following Board Members were present: J. Thomas Johnson, Chairman; and Members William B. Browder, Stuart P. Levine, Gayl S. Pyatt, and Robert F. Vickrey.

Also in attendance were: Administrator Robert F. Casey, Deputy Administrators Joseph Haughey, Allan McDonald, Roger Shiels, and Thomas Swoik, Chief Counsel Mareile' Cusack, other members of the staff, the media, the general public and interested parties.

Chairman Johnson called the meeting to order at 9:30 a.m. Member Pyatt moved **that the Board retire to Closed Session pursuant to Section 2(c), paragraphs (1), (4), (11), (14) and (21) of the Open Meetings Act, to discuss the following subject matters:**

**Issues Concerning Applicants and Licensees
Recommendations of Administrative Law Judges
Pending Litigation and Matters Involving Probable Litigation
Investigatory Matters
Personnel Matters
Closed Session Minutes**

Member Browder seconded the motion. The Board adopted the motion by unanimous consent.

The Board convened in Open Session at 12:15 p.m.

Chairman Johnson reported that Mr. Stuart Levine, newly appointed as a member of the Board, attended the closed session meeting. The Chairman stated that Mr. Levine is a non-practicing attorney involved with civic affairs in the Chicago area. Mr. Levine, once confirmed by the Senate, will serve for a term ending July 1, 2002.

Board Minutes

Member Browder moved **that the Board approve the minutes from the open and closed sessions of the March 16, 1999 regular meeting.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Member Browder moved **that the Board approve the minutes from the open and closed sessions of the March 23, 1999 and April 1, 1999 special meetings.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.

Chairman's Report

Chairman Johnson welcomed the new Administrator, Robert Casey. He stated that Mr. Casey comes to the Gaming Board with a wealth of government experience. Mr. Casey was Kane County State's Attorney for several years and served two terms as an Illinois State Representative. He was also a member of the State of Illinois Legislative Redistricting Commission, served as Special Counsel to the Fox Valley Airport Authority, and was Chairman of the Motor Vehicle Review Board.

The Chairman thanked Michael Belletire for his tremendous contribution during his four year tenure as Administrator. The Board wished Mike well in his future endeavors.

Chairman Johnson, in accordance with the Open Meetings Act, stated that Board members and senior staff will be gathering at the private home of a staff member this date for a farewell dinner for Mr. Belletire. The gathering is exclusively for social purposes, no business will be discussed or conducted.

Owner Licensee Items

CASINO ROCK ISLAND ("CRI") – Donna More and Ron Wicks, representing CRI, requested renewal of its owner's license.

ALTON GAMING COMPANY ("AGC") – Don Malloy, representing AGC, requested initial consideration of a proposed refinancing of Argosy's current outstanding indebtedness.

Ms. Cusack stated that staff has received preliminary documents related to Argosy's proposed refinancing and that staff is still analyzing and evaluating the impact of the financing on the licensee.

Chairman Johnson commented that one of the primary purposes of the refinancing is to reduce AGC's borrowing cost. In addition, AGC is proposing to create a financing structure that will raise or permit AGC to draw a larger amount than the current debt financing. The Chairman stated that primary use of the debt structure will be to repay and retire the old debt structure but there will be availability of funds within that debt structure. Chairman Johnson asked Mr. Malloy to explain the plans for those funds. Mr. Malloy stated that part of AGC's plans include updating the Alton Belle facility and the remainder will be used for future projects that have not been defined.

ELGIN RIVERBOAT RESORTS ("ERR") – Donna More, representing ERR, requested initial consideration for a waiver of Board rule 3000.510 to remain dockside while conducting an underwater hull inspection. Ms. More stated that Specialty Diving, Inc. will be performing the work.

PAR-A-DICE GAMING COMPANY ("PGC") – Donna More, representing PGC, requested initial consideration of an amendment to its bank credit agreement. Currently under the agreement all of PGC's significant properties are pledged as collateral. The only property not currently pledged is the Par-A-Dice vessel. As part of the re-negotiation the banks have asked that the vessel also be pledged. Ms. More stated that documents will be forthcoming.

Chairman Johnson advised Ms. More that if staff does not have sufficient lead-time to evaluate the documents the request will be held over to the June meeting.

HOLLYWOOD CASINO AURORA ("HCA") – Ed Pratt and Buz LaFrano, representing Hollywood Casino Corporation ("HCC") and HCA requested final approval for the refinancing at the parent company level and related subsidiary financings.

Mr. Pratt stated that HCC is refinancing all of HCC's primary current indebtedness and raising additional funding. Some of the additional funding (\$37 million) is to be used to purchase the management contracts from the current bondholders. Another \$40 million will be used to build a new vessel or barge for Aurora.

Mr. Pratt stated that part of the process of purchasing the management contracts is that HCA has to expense off the purchase which affects the net worth of HCA and HCC. Mr. LaFrano, Vice President of Finance for HCC, stated that the documents submitted to staff showed that \$37 million for the purchase of the contracts would be written off; and, for accounting purposes could not be recognized as an asset. For tax purposes the same situation applies, you cannot write up the basis for those assets. In the original analysis prepared, HCC did not show a tax deduction for Aurora because under the tax sharing agreement with HCA it would follow the tax rules and there would be no deduction. HCC can amend the tax sharing agreement with HCA and allow for a deduction for the \$37 million. This will allow HCA to book the portion of the asset that HCA would otherwise not have been able to book had HCC not amended the tax sharing agreement. This type of change to the tax sharing agreement would result in a savings of roughly \$13 million. It would reduce HCA's write off to about \$24 million which would then eliminate the proposed negative shareholder's equity.

Chairman Johnson asked if it would be a problem to put a limitation on dividend distributions between HCA and HCC until there was an equity level acceptable to the Board. Mr. Pratt stated that any limitation that is placed on the transaction other than a normal flow of business is going to diminish the collateral package to the bondholders. From the bondholders perspective Mr. Pratt couldn't say whether it kills their ability to raise the financing but stated it would be very costly. To restrict the flow of funds would restrict the collateral for the bondholders.

Mr. LaFrano stated that the reason the limitation on dividends would be detrimental to the new issuance is that there is no guarantee of the new bonds from Aurora. The bondholders can only look to the size of the inter-company note for their total collateral given the \$40 million that is going towards a vessel, \$37 million going into the contracts and the original \$30 million on the inter-company note. Their limitation on collateral is about \$108 million and the bondholders will be unsecured for any amount over this figure.

In summary, the commitment is that HCC will create a new tax asset (new riverboat or dockside facility) for HCA.

Member Vickrey asked Mr. Pratt to talk about future plans at HCA for a new facility. Mr. Pratt stated that HCA is working on two plans for expansion. Depending on how the legislature votes HCA wants to be prepared to develop a dockside facility and/or a new larger vessel to replace the City of Lights I. HCA plans to build the larger vessel either way.

Ms. Cusack reported that the proposed refinancing reduces the cost of capital to HCC, provides for the purchase of the management agreement, and will provide for significant capital contributions to the HCA facility. Staff recommends the approval of the three pieces to the financing.

Member Vickrey moved that the Board approve Hollywood Casino Corporation's ("HCC") request to refinance its currently existing primary indebtedness with approximately \$350 million of senior subordinated notes. In conjunction with the approval of this financing, the Board also approves the terms of the intercompany notes between HCC and Hollywood Casino Aurora ("HCA") and the pledging of the stock of HCA to the indenture trustee for the proposed \$350 million notes. These approvals are subject to the Administrator's review and approval of the final documentation for these transactions. **Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

Patt Medchill, representing HCA, requested approval of James LaPorte as the Director of Slot Operations.

Member Browder moved that the Board approve James LaPorte as a Level 1 Occupational Licensee of Hollywood Casino Aurora. **Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.**

HARRAH'S CASINO CRUISES JOLIET – Jim Rankl, representing Harrah's, requested approval of Jacqueline Hutchinson as Director of Slot Operations.

Member Browder moved that the Board approve Jacqueline Hutchinson as a Level 1 Occupational Licensee of Harrah's Casino Cruises Joliet. **Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.**

ALTON GAMING COMPANY – Don Malloy, representing AGC, requested approval of Harold Prange as Casino Manager and James Gulbrandsen as a Key Person.

Member Browder moved that the Board approve Harold Prange as a Level 1 Occupational Licensee and James Gulbrandsen as a Key Person of Alton Gaming Company. **Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.**

Supplier Licensees

ARISTOCRAT – Donna More, representing Aristocrat, requested approval of Desmond Randall as a Key Person.

Member Pyatt moved that the Board approve Desmond H. Randall as a Key Person of Aristocrat, Inc. **Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

Occupational Licenses

Member Pyatt moved that the Board approve 114 applications for an Occupational License, Level 2, and 195 applications for an Occupational License, Level 3, and deny 1 application for an Occupational License, Level 2 and 3 applications for an Occupational License, Level 3. **Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

Administrative Hearings/ALJ Reports

Chairman Johnson deferred the issue concerning Barbara Anop to a future meeting.

Member Pyatt moved that the Board deny the hearing requests submitted by Laura Vaughn and Christian Rogers. **Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.**

Complaints & Disciplinary Actions

Member Browder moved that the Board issue a disciplinary complaint against Correy Barnes and revoke his occupational license. **Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.**

Board Policy Items

RULEMAKING – Ms. Cusack stated that staff recommends an amendment to Board rule 3000.660 to assure the security of any alternative memory storage media and provide for internal memory that stores information traditionally captured on the electronic mechanical hard meters.

Member Vickrey moved that the Board authorize the proposed amendment to rule 3000.660 to be sent to all owner licensees, affected suppliers, and an independent testing laboratory for review and comment; and, if no substantive changes are made as a result of these comments, I further move that the Board authorize the Administrator to initiate a rulemaking by filing the proposed amendment with the Secretary of State for publication of first notice in the Illinois Register. **Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote.**

Monthly Performance's Report

Deputy Administrator Swoik summarized the Adjusted Gross Receipts monthly statistical report for March 1999. Mr. Swoik noted that the March 1999 AGR (\$104.6 million) exceeded February 1999 AGR by nearly \$8 million. He reported that this is the third largest monthly AGR in Illinois history. It also marks the first time since the start up of riverboat gaming in Indiana that Illinois broke \$100 million.

Chairman Johnson asked what Mr. Swoik attributes the increase to. Mr. Swoik stated that staff has been watching the statistics for the past year and AGR has slowly been on the rise. He noted that admissions have not increased nor are patrons staying as long. Mr. Swoik also attributes the increase to a good economy.

In response to Chairman Johnson, Mr. Swoik reported that Indiana's AGR has increased and Illinois' share of the market has increased slightly.

PERSONNEL ISSUE

Member Vickrey moved **WHEREAS at the April 1, 1999 special meeting, the Board affirmed the positions and organizational responsibilities of senior staff members; and**

WHEREAS the position and responsibilities of the public information officer were inadvertently omitted.

NOW THEREFORE, I move that the Board affirm Marianne Floriano as the Public Information Officer for the Board.

Member Browder seconded the motion. The Board approved the motion unanimously by voice vote.

There being no further business to come before the Board, Member Browder moved **that the Board stand adjourned.** Member Pyatt seconded the motion. The Board approved the motion unanimously by voice vote and adjourned at 1:00 p.m.

Respectfully submitted,

Susan O. Weber
Secretary of the Board